

CITY OF HESSTON, KANSAS

DECEMBER 31, 2011

CITY OF HESSTON, KANSAS

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INDEPENDENT AUDITORS' REPORT

Mayor and City Council City of Hesston, Kansas

We have audited the summary statement of cash receipts, expenditures, and unencumbered cash balances of the City of Hesston, Kansas as of and for the year ended December 31, 2011, as listed in the table of contents. This financial statement is the responsibility of the City's management. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States, and the Kansas Municipal Audit Guide. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in note 1, the City of Hesston, Kansas prepares its financial statement on a prescribed basis of accounting that demonstrates compliance with the cash basis and budget laws of the state of Kansas, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States. The differences between the regulatory basis of accounting and accounting principles generally accepted in the United States are described in note 1. The effect on the financial statement of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

In our opinion, because of the City's policy to prepare its financial statement on the basis of accounting discussed in the preceding paragraph, the financial statement referred to in the first paragraph does not present fairly, in conformity with accounting principles generally accepted in the United States, the financial position of the City of Hesston, Kansas as of December 31, 2011, or the respective changes in financial position and cash flows, where applicable, for the year then ended.

However, in our opinion, the financial statement referred to in the first paragraph presents fairly, in all material respects, the aggregate cash and unencumbered cash balances of the City of Hesston, Kansas as of December 31, 2011, on the basis of accounting described in note 1.

Our audit was conducted for the purpose of forming an opinion on the financial statement. The summary of expenditures – actual and budget, individual fund schedules of cash receipts and expenditures – actual and budget, schedule of cash receipts and expenditures – component unit (Schedules 1, 2, and 3 as listed in the table of contents) are presented for analysis and are not a required part of the statutory financial statement. Such information is the responsibility of management, and was derived from, and relates directly to the underlying accounting and other records used to prepare the financial statement. The information has been subjected to the auditing procedures applied in the audit of the financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statement or to the financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statement as a whole.

Lindburg Vogel Pierce Faris

Certified Public Accountants

Hutchinson, Kansas
June 2, 2012

CITY OF HESSTON, KANSAS

SUMMARY OF CASH RECEIPTS, EXPENDITURES, AND UNENCUMBERED CASH -
REGULATORY BASIS
For Year Ended December 31, 2011

Statement 1
Page 1 of 2

Funds	Beginning Unencumbered Cash Balance	Cash Receipts	Expenditures	Ending Unencumbered Cash Balance	Add Outstanding Encumbrances and Accounts Payable	Ending Cash Balance
GOVERNMENTAL TYPE FUNDS						
General	\$ 976,997	\$ 1,696,862	\$ 1,656,605	\$ 1,017,254	\$ 18,195	\$ 1,035,449
Special revenue						
Library	6,970	298,831	303,191	2,610	-	2,610
Library maintenance	40,513	6,498	3,699	43,312	-	43,312
Special highway	497,622	113,843	52,003	559,462	-	559,462
Emergency services	108,965	286,351	285,845	109,471	789	110,260
Fire equipment	170,455	85,789	-	256,244	-	256,244
Community service program	29,597	17,940	17,281	30,256	139	30,395
Capital improvement	118,626	100,000	26,012	192,614	-	192,614
Equipment reserve	517,098	132,600	191,451	458,247	8,310	466,557
Economic development	87,464	63,192	54,273	96,383	80	96,463
Special parks	1,181	547	1,159	569	488	1,057
Revolving loan	61,168	34,694	-	95,862	-	95,862
Debt service						
Bond and interest	209,134	787,487	786,364	210,257	-	210,257
Capital projects	(1,420)			(1,420)	-	(1,420)
Public Building Commission	60,000	65,000	59,973	65,027	-	65,027
PROPRIETARY TYPE FUNDS						
Enterprise						
Utilities	2,556,213	4,142,852	3,492,493	3,206,572	20,816	3,227,388
Utility deposits	-	-	-	-	51,822	51,822
Water tower project	119,986	115,000	113,249	121,737	-	121,737
Utility maintenance reserve	1,111,792	150,000	126,757	1,135,035	-	1,135,035
Golf course	10,069	56,722	31,322	35,469	-	35,469
Golf course maintenance reserve	115,734	61,100	70,414	106,420	-	106,420
TOTAL PRIMARY GOVERNMENT	6,798,164	8,215,308	7,272,091	7,741,381	100,639	7,842,020
COMPONENT UNIT						
Hesston Public Library	49,011	224,459	207,094	66,376	-	66,376
TOTAL REPORTING ENTITY (excluding agency funds)	\$ 6,847,175	\$ 8,439,767	\$ 7,479,185	\$ 7,807,757	\$ 100,639	\$ 7,908,396

The notes to the financial statement are an integral part of this statement.

CITY OF HESSTON, KANSAS

SUMMARY OF CASH RECEIPTS, EXPENDITURES, AND UNENCUMBERED CASH -
REGULATORY BASIS

For Year Ended December 31, 2011

Statement 1
Page 2 of 2

COMPOSITION OF CASH

Checking accounts	
Citizen State Bank, Hesston, Kansas	\$ 7,413,462
Petty cash	260
Component unit	
Hesston Public Library	<u>66,376</u>
 TOTAL COMPOSITION OF CASH	 7,480,098
 Utility accounts receivable	 <u>428,298</u>
 TOTAL REPORTING ENTITY	 <u><u>\$ 7,908,396</u></u>

The notes to the financial statement are an integral part of this statement.

CITY OF HESSTON, KANSAS
NOTES TO THE FINANCIAL STATEMENT
December 31, 2011

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Entity

The City of Hesston, Kansas (the City), is a municipal corporation governed by an elected mayor and five-member council. This financial statement presents the City of Hesston (the primary government) and its component units. Component units are entities for which the City is considered to be financially accountable. The component units discussed below are included in the City's reporting entity because of their operational or financial relationships with the City. The blended component unit, although a legally separate entity is, in substance, part of the City's operations. Data from this component unit is combined with data from the City. The discretely presented component unit is reported in a separate line in the financial statement to emphasize that it is legally separate from the City.

Blended Component Unit

The mayor and city council sits in a separate legal capacity as the Public Building Commission. The Public Building Commission has authority to do all things that are necessary or incidental to construct, acquire, or enlarge; furnish and equip; and operate and maintain buildings for government use.

Discretely Presented Component Unit

The Hesston Public Library is governed by a board, all appointees of which are approved by the City Mayor. The library is not a separate taxing entity under Kansas statutes, and the City levies taxes for the library operation, which represents a significant portion of its total revenues.

Basis of Presentation - Fund Accounting

The accounts of the City of Hesston, Kansas are organized on the basis of funds, each of which is considered a separate accounting entity. The City has created several types of funds and a number of discrete funds within each fund type. Each fund is accounted for by a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenues, and expenditures/expenses. The individual funds account for the governmental resources allocated to them for the purpose of carrying on specific activities in accordance with laws, regulations, or other restrictions.

The following types of funds comprise the financial activities of the City for the year of 2011:

Governmental funds

General fund – to account for all unrestricted resources except those required to be accounted for in another fund.

Special revenue funds – to account for the proceeds of specific revenue sources (other than special assessments or major capital projects) that are restricted by law or administrative action to expenditure for specified purposes.

Capital project funds – to account for the financial resources segregated for the acquisition or construction of major capital facilities and improvements.

Debt service funds – to account for the accumulation of resources for and the payment of, interest and principal on general long-term debt.

Proprietary funds

Enterprise funds – to account for operations that are financed and operated in a manner similar to private business enterprises – where the stated intent is that the costs (expenses) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges – or where periodic determination of revenues earned, expenses incurred, and/or net income is deemed appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Statutory Basis of Accounting

The statutory basis of accounting, as used in the preparation of this statutory basis financial statement, is designed to demonstrate compliance with the cash basis and budget laws of the state of Kansas. Cash receipts are recognized when the cash balance of a fund is increased. Expenditures include disbursements, accounts payable, and encumbrances with disbursements being adjusted for prior year's accounts payable, and encumbrances. Encumbrances are commitments related to unperformed (executory) contracts for goods and services, and are usually evidenced by a purchase order or written contract. For an interfund transaction, a cash receipt is recorded in the fund receiving cash from another fund, and an expenditure would be charged in the fund from which the transfer is made.

The basis of accounting described above results in a financial statement presentation, which shows cash receipts, cash disbursements, cash and unencumbered cash balances, and expenditures and encumbrances compared to budget. Balance sheets that would have shown noncash assets such as receivables, inventories, and prepaid expense, liabilities such as deferred revenue and matured principal and interest payable, and reservations of the fund balance are not presented. Under accounting principles generally accepted in the United States, encumbrances are only recognized as a reservation of fund balance; encumbrances outstanding at year end do not constitute expenditures or liabilities. Consequently, the expenditures as reported do not present the cost of goods and services received during the fiscal year in accordance with accounting principles generally accepted in the United States. General fixed assets that account for the land, buildings, and equipment owned by the municipality are not presented in the financial statement. The required balance sheet, income statement, and the statement of cash flows are not presented for proprietary fund types. Accounting principles generally accepted in the United States require these fund types to be accounted for by the full accrual method of accounting.

The City has approved a resolution that is in compliance with K.S.A. 75-1120a(c), waiving the requirement for application of generally accepted accounting principles and allowing the municipality to use the statutory basis of accounting.

Interest Income

Unless otherwise designated, all investment income is credited to the general fund.

Compensated Absences

The City's policies regarding vacation and sick leave permit employees to accumulate a maximum of 20 days vacation and 120 days sick leave. Policies prohibit payment of vacation time in lieu of time off and all accumulated vacation pay is payable upon employment termination. Policy prohibits payment of unused sick pay upon termination by the City. However, certain long-time employees have been grandfathered into the City's policy, and once 120 sick days have been accrued, additional sick days accrued are put into a sick bank at a rate of one-fourth day per month. These grandfathered employees will be paid for sick leave earned in excess of 120 days upon termination.

Use of Estimates

The process of preparing the financial statement requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenses. Such estimates relate primarily to unsettled transactions and events as of the date of the financial statement. Accordingly, upon settlement, actual results may differ from estimated amounts.

Reimbursed Expenditures

The City's records reimbursable expenditures in the fund that makes the disbursement and records reimbursements as revenue to the fund. For purposes of budgetary comparisons, the expenditures are properly offset by the reimbursements.

Policy for Applying FASB Pronouncements to Proprietary Funds

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the financial statement to the extent that those standards do not conflict with, or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

Budgets

Kansas statutes require that an annual operating budget be legally adopted for all funds (including debt service and enterprise funds) unless exempted by specific statute. The statutes provide for the following sequence and timetable in adoption of the legal annual operating budget:

1. Preparation of the budget for the succeeding calendar year on or before August 1 of each year.
2. Publication in local newspaper on or before August 5 of the proposed budget and notice of public hearing on the budget.
3. Public hearing on or before August 15, but at least ten days after publication of notice of hearing.
4. Adoption of the final budget on or before August 25.

The statutes allow for the governing body to increase the originally adopted budget for previously unbudgeted increases in revenue other than ad valorem property taxes. To do this, a notice of public hearing to amend the budget must be published in the local newspaper. At least ten days after publication, the hearing may be held and the governing body may amend the budget at that time. The 2011 budget was amended to allow an additional \$2,400,000 of additional spending in the utility fund.

The statutes permit transferring budgeted amounts between line items within an individual fund. However, such statutes prohibit expenditures in excess of the total amount of the adopted budget of expenditures of individual funds.

All legal annual operating budgets are prepared using the modified accrual basis of accounting modified further by the encumbrance method of accounting. Revenues are recognized when cash is received. Expenditures include disbursements, accounts payable, and encumbrances. Encumbrances are commitments by the municipality for future payments and are supported by a document evidencing the commitment, such as a purchase order or contract. Any unused budgeted expenditure authority lapses at year end.

A legal operating budget is not required for equipment and building reserve funds, special law enforcement fund, public building commission fund, and capital projects funds.

Spending in funds which are not subject to the legal annual operating budget requirement are maintained by the review and internal appropriation process established by management.

Taxes levied to finance the budget become a lien against all property November 1. Taxpayers have the option of paying in full or in two installments. The delinquency dates are December 20 and May 10. These taxes are made available to the City after January 1 and are distributed by the County Treasurer generally in the months of January and June. Delinquent tax collections are distributed throughout the year.

NOTE 2—DEPOSITS AND INVESTMENTS

The City maintains a cash and investment pool that is used by all funds. Each fund's portion of this pool is displayed on the Summary of Cash Receipts, Expenditures, and Unencumbered Cash. The cash balances of certain funds are restricted as to their use.

K.S.A. 9-1401 established the depositories which may be used by the City. The statute requires banks eligible to hold the City's funds have a main or branch bank in the county in which the City is located and the banks provide an acceptable rate of return on funds. In addition, K.S.A. 9-1402 requires the banks to pledge securities for deposits in excess of FDIC coverage. The City has no other policies that would further limit interest rate risk.

K.S.A. 12-1675 limits the City's investment of idle funds to time deposits, open accounts, and certificates of deposit with allowable financial institutions; U.S. government securities; temporary notes; no-fund warrants; repurchase agreements; and the Kansas Municipal Investment Pool. The City has no investment policy that would further limit its investment choices.

Concentration of Credit Risk

State statutes place no limit on the amount the City may invest in any one issuer as long as the investments are adequately secured under K.S.A. 9-1402 and 9-1405.

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. State statutes require the City's deposits in financial institutions to be entirely covered by federal depository insurance or by collateral held under a joint custody receipt issued by a bank within the state of Kansas, the Federal Reserve Bank of Kansas City, or the Federal Home Loan Bank of Topeka. All deposits were legally secured at December 31, 2011.

Deposits

At December 31, 2011, the carrying amount of the City's deposits was \$7,413,462. The bank balance was \$7,361,905. The bank balance was held by one bank resulting in a concentration of credit risk. Of the bank balance, \$250,000 was covered by FDIC insurance and the remaining \$7,111,905 was collateralized by pledged securities held under joint custody receipts issued by a third-party bank in the City's name.

At December 31, 2011, the carrying amount of the component unit deposits, including certificates of deposit, was \$66,376. The bank balance was \$85,638, which was covered by FDIC insurance. The bank balance was held by one bank resulting in a concentration of credit risk.

NOTE 3—LONG-TERM DEBT

Terms for long-term liabilities for the City of Hesston for the year ended December 31, 2011, were as follows:

Issue	Interest Rates	Date of Issue	Amount of Issue	Date of Final Maturity
General obligation bonds				
Series 2002A	1.550% to 3.450%	11/01/02	\$ 2,080,000	12/01/11
Series 2002B	1.700% to 4.800%	11/01/02	338,716	12/01/23
Series 2004A	2.500% to 4.700%	07/01/04	658,000	09/01/25
Series 2006A	3.700% to 4.400%	09/01/06	1,278,000	09/01/26
Series 2007A	3.630% to 4.200%	05/17/07	1,754,000	09/01/27
Series 2009	3.000% to 4.850%	11/15/09	1,621,000	08/01/30
Public Building Commission Series 2010	1.500% to 4.750%	03/01/10	855,000	09/01/30
Capital leases				
Restaurant	3.660%	09/13/01	495,000	12/01/14
Automatic meter reader	6.348%	12/15/05	165,715	12/15/15
KDHE loan				
KPWSLF project #2495	3.580%	08/31/07	1,631,806	08/31/29

Principal payments are due annually for general obligation bonds on December 1 for the series 2002 bonds, and September 1 for series 2004 bonds, 2006 bonds, 2007 bonds, 2009 bonds, and the Public Building Commission series 2010 bonds. Interest payments are due semi-annually on June 1 and December 1 for the series 2002 bonds, and March 1 and September 1 for the series 2004 bonds, 2006 bonds, 2007 bonds, 2009 bonds, and the Public Building Commission series 2010 bonds. Principal and interest payments are due semi-annually on February 1 and August 1 for the KDHE loan.

Conduit Debt

The City has issued Industrial Revenue Bonds not directly obligated by the City. The total amount outstanding at December 31, 2011, was \$93,898,195, for the Industrial Revenue Bonds. These bonds do not constitute an indebtedness or pledge of the faith and credit of the City.

Changes in long-term liabilities for the City of Hesston for the year ended December 31, 2011, were as follows:

Issue	Balance Beginning of Year	Additions	Reductions/ Payments	Balance End of Year	Interest Paid
General obligation bonds					
Series 2002A	\$ 335,000	\$ -	\$ 335,000	\$ -	\$ 11,558
Series 2002B	240,000	-	20,000	220,000	10,080
Series 2004A	445,000	-	50,000	395,000	18,160
Series 2006A	1,095,000	-	50,000	1,045,000	45,858
Series 2007A	1,590,000	-	65,000	1,525,000	62,296
Series 2009	1,621,000	-	-	1,621,000	118,400
Public Building Commission Series 2010	855,000	-	10,000	845,000	49,973
Capital leases					
Restaurant	219,913	-	52,002	167,911	7,182
Automatic meter reader	95,506	-	16,825	78,681	5,710
KDHE loan					
KPWSLF project #2495	1,522,556	-	59,268	1,463,288	53,981
Total bonded indebtedness	8,018,975	-	658,095	7,360,880	<u>\$ 383,198</u>
Compensated absences	70,107	-	13,627	56,480	
	<u>\$ 8,089,082</u>	<u>\$ -</u>	<u>\$ 671,722</u>	<u>\$ 7,417,360</u>	

Current maturities of long-term debt and interest for the next five years and in five year increments through maturity are as follows:

	Principal			Interest			Total Principal and Interest
	General Obligation Bonds	Capital Leases	Other Debt	General Obligation Bonds	Capital Leases	Other Debt	
2012	\$ 271,000	\$ 71,832	\$ 61,408	\$ 283,032	\$ 9,889	\$ 51,842	\$ 749,003
2013	290,000	74,974	63,626	278,009	6,746	49,622	762,977
2014	295,000	78,265	65,925	272,986	3,455	47,325	762,956
2015	300,000	21,521	68,306	262,759	1,014	44,943	698,543
2016	270,000	-	70,772	256,963	-	42,477	640,212
2017-2021	1,470,000	-	394,107	1,171,611	-	172,140	3,207,858
2022-2026	1,910,000	-	470,614	915,782	-	95,633	3,392,029
2027-2031	845,000	-	268,530	568,269	-	14,589	1,696,388
	<u>\$ 5,651,000</u>	<u>\$ 246,592</u>	<u>\$ 1,463,288</u>	<u>\$ 4,009,411</u>	<u>\$ 21,104</u>	<u>\$ 518,571</u>	<u>\$ 11,909,966</u>

Included in other debt above are principal and interest payments on the KDHE loan.

NOTE 4—REVOLVING LOANS

The City has a revolving loan fund to loan money to local businesses. Balances of note receivables at year end are as follows:

Date of Loan	Company	Original Loan Amount	Interest Rate	Original Terms in Years	Balance Due at 12/31/11
2009	Anytime Tone and Tan	\$ 85,000	3.00%	10 Years	\$ 69,059
2009	Panda Kitchen	25,000	3.00%	10 Years	19,543
2007	Everybody Shop	10,000	6.25%	5 Years	2,891
2006	Hesston Chiropractic	40,000	5.75%	10 Years	19,075
2004	Hesston Hospitality, L.L.C.	100,000	3.00%	10 Years	7,696
					<u>\$ 118,264</u>

NOTE 5—INTERFUND TRANSFERS

Operating transfers were as follows:

From	To	Statutory Authority	Amount
Utility fund	General fund	K.S.A. 12-825D	\$ 50,000
Utility fund	Bond and interest fund	K.S.A. 12-825D	207,000
Utility fund	Utility maintenance reserve fund	K.S.A. 12-825D	150,000
Utility fund	Capital improvement	K.S.A. 12-825D	100,000
Utility fund	Water tower project fund	K.S.A. 12-1,117	115,000
Utility fund	Economic development	K.S.A. 12-825D	25,000
Utility fund	Golf maintenance reserve	K.S.A. 12-825D	50,000
General fund	Equipment reserve fund	K.S.A. 12-1,117	90,000
General fund	Public Building Commission	K.S.A. 12-1,118	65,000
Emergency services fund	Equipment reserve fund	K.S.A. 12-1,117	10,000
			<u>\$ 862,000</u>

NOTE 6—DEFERRED COMPENSATION PLAN

The City offers its employees two deferred compensation plans created in accordance with Internal Revenue Code Section 457. The plans, available to all City employees, permit them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. City contributions to the plan for 2011 were \$61,923.

NOTE 7—RISK MANAGEMENT

The City is subject to certain risks such as torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by commercial insurance purchased from third parties. There have been no significant reductions in insurance coverage from the prior year and there have been no settled claims in excess of insurance coverage for the prior three years.

NOTE 8—CONCENTRATIONS

Two customers account for approximately 60% of the City's utility fund revenue.

NOTE 9—DEFINED BENEFIT PENSION PLAN**Plan Description**

The City of Hesston participates in the Kansas Public Employees Retirement System (KPERS), a cost-sharing multiple-employer defined benefit pension plan as provided by K.S.A. 74-4901, et seq. KPERS provides retirement benefits, life insurance, disability income benefits, and death benefits. Kansas law established and amends benefit provisions. KPERS issues a publicly available financial report that includes the financial statement and the required supplementary information. That report may be obtained by writing to KPERS 611 South Kansas Avenue, Suite 100, Topeka, Kansas 66603-3803, or by calling 1-888-275-5737.

Funding Policy

K.S.A. 74-4919 and K.S.A. 74-49,210 establish the KPERS member-employee contribution rates. Effective July 1, 2009, KPERS has two benefit structures and funding depends on whether the employee is a Tier 1 or Tier 2 member. Tier 1 members are active and contributing members hired before July 1, 2009. Tier 2 members were first employed in a covered position on or after July 1, 2009. Kansas law establishes the KPERS member-employee contribution rate at 4.00% of covered salary for Tier 1 members and at 6.00% of covered salary for Tier 2 members.

The employer collects and remits member-employee contributions according to the provisions of section 414(h) of the Internal Revenue Code. State law provides the employer contribution rate be determined annually based on the results of an annual actuarial valuation. KPERS is funded on an actuarial reserve basis. State law sets a limitation on annual increases in the contribution rates for KPERS employers. The employer rate established for 2011 was 7.74%; except for the period from March 14, 2011 through June 19, 2011, when the rate was 6.74%.

The City of Hesston employer contributions to KPERS for the years ended December 31, 2011, 2010, and 2009, were \$100,730, \$91,048, and \$95,968, respectively, equal to the statutory required contributions for each year.

CITY OF HESSTON, KANSAS

SCHEDULE OF EXPENDITURES - REGULATORY BASIS (ACTUAL AND BUDGET)
 (BUDGETED FUNDS ONLY)
 For Year Ended December 31, 2011

Schedule 1

Funds	Certified Budget	Adjustment for Qualifying Budget Credits	Total Budget for Comparison	Expenditures Chargeable to Current Year	Variance Over (Under)
GOVERNMENT TYPE FUNDS					
General	\$ 2,713,300	\$ -	\$ 2,713,300	\$ 1,656,605	\$ (1,056,695)
Special revenue					
Library	179,127	129,828	308,955	303,191	(5,764)
Special highway	604,684	-	604,684	52,003	(552,681)
Emergency services	399,794	-	399,794	285,845	(113,949)
Fire equipment	269,310	-	269,310	-	(269,310)
Community service program	47,348	-	47,348	17,281	(30,067)
Economic development	124,130	-	124,130	54,273	(69,857)
Special parks	6,874	-	6,874	1,159	(5,715)
Debt service					
Bond and interest	991,996	-	991,996	786,364	(205,632)
PROPRIETARY TYPE FUNDS					
Utilities	6,525,488	-	6,525,488	3,492,493	(3,032,995)
Golf course	99,373	-	99,373	31,322	(68,051)
Water tower project	240,805	-	240,805	113,249	(127,556)

CITY OF HESSTON, KANSAS

GENERAL FUND
 SCHEDULE OF CASH RECEIPTS AND EXPENDITURES - REGULATORY BASIS
 (ACTUAL AND BUDGET)
 For Year Ended December 31, 2011

Schedule 2
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	2011		Variance Over (Under)
	Actual	Budget	
CASH RECEIPTS			
Taxes			
Ad valorem property tax	\$ 456,904	\$ 468,771	\$ (11,867)
16/20m vehicle tax	1,391	1,323	68
Back tax collections	4,966	5,000	(34)
Recreation vehicle tax	857	922	(65)
Motor vehicle tax	63,204	66,044	(2,840)
Sales tax	632,043	615,000	17,043
Alcohol tax	547	-	547
Total taxes	<u>1,159,912</u>	<u>1,157,060</u>	<u>2,852</u>
Licenses, fees, and permits			
Utility franchise tax	336,170	230,000	106,170
Miscellaneous permits and licenses	24,524	28,350	(3,826)
Total licenses, fees, and permits	<u>360,694</u>	<u>258,350</u>	<u>102,344</u>
Other receipts			
Fines, forfeitures, and penalties	34,721	39,000	(4,279)
Interest on idle funds	6,642	25,000	(18,358)
Reimbursed expenses	46,676	43,800	2,876
Miscellaneous	16,217	12,500	3,717
Operating transfers in	50,000	175,000	(125,000)
Lease revenues	22,000	36,000	(14,000)
Total other receipts	<u>176,256</u>	<u>331,300</u>	<u>(155,044)</u>
TOTAL CASH RECEIPTS	<u>1,696,862</u>	<u>\$ 1,746,710</u>	<u>\$ (49,848)</u>
EXPENDITURES			
General government			
General administration	109,995	\$ 124,238	\$ (14,243)
Legal service and engineering	11,471	13,000	(1,529)
Audit	14,175	13,500	675
Total general government	<u>135,641</u>	<u>150,738</u>	<u>(15,097)</u>
Public safety			
Police	598,492	616,209	(17,717)
Fire	103,832	115,872	(12,040)
Municipal court	33,679	33,850	(171)
Total public safety	<u>736,003</u>	<u>765,931</u>	<u>(29,928)</u>

CITY OF HESSTON, KANSAS

GENERAL FUND
 SCHEDULE OF CASH RECEIPTS AND EXPENDITURES - REGULATORY BASIS
 (ACTUAL AND BUDGET)
 For Year Ended December 31, 2011

Schedule 2
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	2011		Variance Over (Under)
	Actual	Budget	
EXPENDITURES (CONTINUED)			
Highways and streets			
Streets	\$ 287,321	\$ 293,243	\$ (5,922)
Street lighting	41,852	40,000	1,852
Total highways and streets	<u>329,173</u>	<u>333,243</u>	<u>(4,070)</u>
Culture and recreation			
Park	168,645	178,074	(9,429)
Cemetery	1,327	500	827
Tree board	1,973	5,000	(3,027)
Employee functions	2,779	5,000	(2,221)
Total culture and recreation	<u>174,724</u>	<u>188,574</u>	<u>(13,850)</u>
Economic development			
Community development	-	10,000	(10,000)
Chamber of Commerce	28,761	33,000	(4,239)
Industrial development	16,846	16,846	-
Lease/purchase restaurant building	80,457	59,185	21,272
Total economic development	<u>126,064</u>	<u>119,031</u>	<u>7,033</u>
Capital improvements	<u>-</u>	<u>970,783</u>	<u>(970,783)</u>
Transfers out	<u>155,000</u>	<u>185,000</u>	<u>(30,000)</u>
TOTAL EXPENDITURES	<u>1,656,605</u>	<u>\$ 2,713,300</u>	<u>\$ (1,056,695)</u>
RECEIPTS OVER (UNDER) EXPENDITURES	40,257		
UNENCUMBERED CASH, BEGINNING	<u>976,997</u>		
UNENCUMBERED CASH, ENDING	<u>\$ 1,017,254</u>		

CITY OF HESSTON, KANSAS

LIBRARY FUND
 SCHEDULE OF CASH RECEIPTS AND EXPENDITURES - REGULATORY BASIS
 (ACTUAL AND BUDGET)
 For Year Ended December 31, 2011

Schedule 2
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	2011		Variance Over (Under)
	Actual	Budget	
CASH RECEIPTS			
Ad valorem property tax	\$ 145,991	\$ 149,781	\$ (3,790)
16/20m vehicle tax	454	432	22
Back tax collections	1,642	1,200	442
Recreation vehicle tax	280	301	(21)
Motor vehicle tax	20,636	21,563	(927)
Reimbursed expenses	129,828	-	129,828
TOTAL CASH RECEIPTS	298,831	\$ 173,277	\$ 125,554
EXPENDITURES			
Appropriations to library board	173,277	\$ 173,277	\$ -
Appropriations of fund reserve	-	5,850	(5,850)
Payroll and insurance	129,914	-	129,914
	303,191	179,127	124,064
Adjustment for qualifying budget credit	-	129,828	(129,828)
TOTAL EXPENDITURES	303,191	\$ 308,955	\$ (5,764)
RECEIPTS OVER (UNDER) EXPENDITURES	(4,360)		
UNENCUMBERED CASH, BEGINNING	6,970		
UNENCUMBERED CASH, ENDING	\$ 2,610		

CITY OF HESSTON, KANSAS

SPECIAL HIGHWAY FUND
 SCHEDULE OF CASH RECEIPTS AND EXPENDITURES - REGULATORY BASIS
 (ACTUAL AND BUDGET)
 For Year Ended December 31, 2011

Schedule 2
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	2011		Variance Over (Under)
	Actual	Budget	
CASH RECEIPTS			
State payments	\$ 98,353	\$ 102,160	\$ (3,807)
Grant	15,490	-	15,490
TOTAL CASH RECEIPTS	<u>113,843</u>	<u>\$ 102,160</u>	<u>\$ 11,683</u>
EXPENDITURES			
Transfers to other funds	-	\$ 50,000	\$ (50,000)
Paving and materials	25,174	50,000	(24,826)
Street improvements	22,760	489,684	(466,924)
Sidewalk improvements	4,069	15,000	(10,931)
TOTAL EXPENDITURES	<u>52,003</u>	<u>\$ 604,684</u>	<u>\$ (552,681)</u>
RECEIPTS OVER (UNDER) EXPENDITURES	61,840		
UNENCUMBERED CASH, BEGINNING	<u>497,622</u>		
UNENCUMBERED CASH, ENDING	<u>\$ 559,462</u>		

CITY OF HESSTON, KANSAS

EMERGENCY SERVICES FUND
 SCHEDULE OF CASH RECEIPTS AND EXPENDITURES - REGULATORY BASIS
 (ACTUAL AND BUDGET)
 For Year Ended December 31, 2011

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	2011		Variance Over (Under)
	Actual	Budget	
CASH RECEIPTS			
Intergovernmental	\$ 100,091	\$ 100,000	\$ 91
Charges for services	174,878	150,000	24,878
Operating transfers in	-	25,000	(25,000)
Miscellaneous	1,625	-	1,625
Reimbursed expenses	9,757	-	9,757
TOTAL CASH RECEIPTS	<u>286,351</u>	<u>\$ 275,000</u>	<u>\$ 11,351</u>
EXPENDITURES			
Personal services	219,863	\$ 215,869	\$ 3,994
Contractual services	30,020	35,000	(4,980)
Commodities	21,727	27,750	(6,023)
Capital outlay	1,909	121,175	(119,266)
Operating transfers out	10,000	-	10,000
Miscellaneous	2,326	-	2,326
TOTAL EXPENDITURES	<u>285,845</u>	<u>\$ 399,794</u>	<u>\$ (113,949)</u>
RECEIPTS OVER (UNDER) EXPENDITURES	506		
UNENCUMBERED CASH, BEGINNING	<u>108,965</u>		
UNENCUMBERED CASH, ENDING	<u>\$ 109,471</u>		

CITY OF HESSTON, KANSAS

FIRE EQUIPMENT FUND
 SCHEDULE OF CASH RECEIPTS AND EXPENDITURES - REGULATORY BASIS
 (ACTUAL AND BUDGET)
 For Year Ended December 31, 2011

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	2011		Variance Over (Under)
	Actual	Budget	
CASH RECEIPTS			
Ad valorem property tax	\$ 34,781	\$ 35,674	\$ (893)
16/20m vehicle tax	108	103	5
Back tax collections	388	300	88
Recreational vehicle tax	67	72	(5)
Motor vehicle tax	4,915	5,134	(219)
Service agreements	45,530	45,500	30
TOTAL CASH RECEIPTS	85,789	<u>\$ 86,783</u>	<u>\$ (994)</u>
EXPENDITURES			
Capital outlay	<u>-</u>	<u>\$ 269,310</u>	<u>\$ (269,310)</u>
RECEIPTS OVER (UNDER) EXPENDITURES	85,789		
UNENCUMBERED CASH, BEGINNING	<u>170,455</u>		
UNENCUMBERED CASH, ENDING	<u>\$ 256,244</u>		

CITY OF HESSTON, KANSAS

COMMUNITY SERVICE PROGRAM FUND
 SCHEDULE OF CASH RECEIPTS AND EXPENDITURES - REGULATORY BASIS
 (ACTUAL AND BUDGET)
 For Year Ended December 31, 2011

Schedule 2
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	2011		Variance Over (Under)
	Actual	Budget	
CASH RECEIPTS			
Ad valorem property tax	\$ 15,496	\$ 15,897	\$ (401)
16/20m vehicle tax	48	46	2
Back tax collections	176	150	26
Recreational vehicle tax	30	32	(2)
Motor vehicle tax	2,190	2,288	(98)
TOTAL CASH RECEIPTS	17,940	<u>\$ 18,413</u>	<u>\$ (473)</u>
EXPENDITURES			
Community service grants	17,281	<u>\$ 47,348</u>	<u>\$ (30,067)</u>
RECEIPTS OVER (UNDER) EXPENDITURES	659		
UNENCUMBERED CASH, BEGINNING	<u>29,597</u>		
UNENCUMBERED CASH, ENDING	<u>\$ 30,256</u>		

CITY OF HESSTON, KANSAS

ECONOMIC DEVELOPMENT FUND
 SCHEDULE OF CASH RECEIPTS AND EXPENDITURES - REGULATORY BASIS
 (ACTUAL AND BUDGET)
 For Year Ended December 31, 2011

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	2011		Variance Over (Under)
	Actual	Budget	
CASH RECEIPTS			
Transient guest tax	\$ 38,192	\$ 25,000	\$ 13,192
Transfer in	25,000	25,000	-
TOTAL CASH RECEIPTS	63,192	\$ 50,000	\$ 13,192
EXPENDITURES			
Contractual services	51,349	\$ 30,775	\$ 20,574
Commodities	2,924	2,500	424
Capital outlay	-	90,855	(90,855)
TOTAL EXPENDITURES	54,273	\$ 124,130	\$ (69,857)
RECEIPTS OVER (UNDER) EXPENDITURES	8,919		
UNENCUMBERED CASH, BEGINNING	87,464		
UNENCUMBERED CASH, ENDING	\$ 96,383		

CITY OF HESSTON, KANSAS

SPECIAL PARKS FUND
 SCHEDULE OF CASH RECEIPTS AND EXPENDITURES - REGULATORY BASIS
 (ACTUAL AND BUDGET)
 For Year Ended December 31, 2011

Schedule 2
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	2011		Variance Over (Under)
	Actual	Budget	
CASH RECEIPTS			
Alcohol tax	\$ 547	\$ -	\$ 547
EXPENDITURES			
Capital outlay	1,159	\$ 6,874	\$ (5,715)
RECEIPTS OVER (UNDER) EXPENDITURES	(612)		
UNENCUMBERED CASH, BEGINNING	1,181		
UNENCUMBERED CASH, ENDING	\$ 569		

CITY OF HESSTON, KANSAS

BOND AND INTEREST FUND
 SCHEDULE OF CASH RECEIPTS AND EXPENDITURES - REGULATORY BASIS
 (ACTUAL AND BUDGET)
 For Year Ended December 31, 2011

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	2011		Variance Over (Under)
	Actual	Budget	
CASH RECEIPTS			
Ad valorem property tax	\$ 171,753	\$ 176,193	\$ (4,440)
16/20m vehicle tax	534	508	26
Back tax collections	1,950	1,800	150
Recreational vehicle tax	329	354	(25)
Motor vehicle tax	24,276	25,364	(1,088)
Special assessments	381,645	393,533	(11,888)
Operating transfers in	207,000	192,000	15,000
TOTAL CASH RECEIPTS	<u>787,487</u>	<u>\$ 789,752</u>	<u>\$ (2,265)</u>
EXPENDITURES			
Bond principal	520,000	\$ 520,000	\$ -
Interest coupons	266,360	266,352	8
Cash basis reserve	-	205,644	(205,644)
Miscellaneous	4	-	4
TOTAL EXPENDITURES	<u>786,364</u>	<u>\$ 991,996</u>	<u>\$ (205,632)</u>
RECEIPTS OVER (UNDER) EXPENDITURES	1,123		
UNENCUMBERED CASH, BEGINNING	<u>209,134</u>		
UNENCUMBERED CASH, ENDING	<u>\$ 210,257</u>		

CITY OF HESSTON, KANSAS

UTILITIES FUND

SCHEDULE OF CASH RECEIPTS AND EXPENDITURES - REGULATORY BASIS

(ACTUAL AND BUDGET)

For Year Ended December 31, 2011

Schedule 2
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	2011		Variance Over (Under)
	Actual	Budget	
CASH RECEIPTS			
Charges for service	\$ 4,122,889	\$ 4,337,000	\$ (214,111)
Connection fees	5,216	5,500	(284)
Miscellaneous	14,747	28,500	(13,753)
TOTAL CASH RECEIPTS	<u>4,142,852</u>	<u>\$ 4,371,000</u>	<u>\$ (228,148)</u>
EXPENDITURES			
Personal services	692,502	\$ 686,301	\$ 6,201
Contractual services	381,175	388,150	(6,975)
Commodities	1,644,517	2,610,086	(965,569)
Capital outlay	77,299	2,243,951	(2,166,652)
Operational fund transfers	697,000	597,000	100,000
TOTAL EXPENDITURES	<u>3,492,493</u>	<u>\$ 6,525,488</u>	<u>\$ (3,032,995)</u>
RECEIPTS OVER (UNDER) EXPENDITURES	650,359		
UNENCUMBERED CASH, BEGINNING	<u>2,556,213</u>		
UNENCUMBERED CASH, ENDING	<u>\$ 3,206,572</u>		

CITY OF HESSTON, KANSAS

GOLF COURSE FUND
 SCHEDULE OF CASH RECEIPTS AND EXPENDITURES - REGULATORY BASIS
 (ACTUAL AND BUDGET)
 For Year Ended December 31, 2011

Schedule 2
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	2011		Variance Over (Under)
	Actual	Budget	
CASH RECEIPTS			
Gas user fee	\$ 2,396	\$ 2,000	\$ 396
Irrigation fee	53,336	30,000	23,336
Reimbursed expense	990	-	990
TOTAL CASH RECEIPTS	56,722	\$ 32,000	\$ 24,722
EXPENDITURES			
Personal services	(1,372)	\$ -	\$ (1,372)
Contractual services	32,666	31,250	1,416
Capital outlay	-	68,123	(68,123)
Reimbursed expenses	28	-	28
TOTAL EXPENDITURES	31,322	\$ 99,373	\$ (68,051)
RECEIPTS OVER (UNDER) EXPENDITURES	25,400		
UNENCUMBERED CASH, BEGINNING	10,069		
UNENCUMBERED CASH, ENDING	\$ 35,469		

CITY OF HESSTON, KANSAS

WATER TOWER PROJECT FUND
 SCHEDULE OF CASH RECEIPTS AND EXPENDITURES - REGULATORY BASIS
 (ACTUAL AND BUDGET)
 For Year Ended December 31, 2011

Schedule 2
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	2011		Variance Over (Under)
	Actual	Budget	
CASH RECEIPTS			
Transfer from utilities	\$ 115,000	\$ 115,000	\$ -
EXPENDITURES			
Capital outlay	-	\$ 126,805	\$ (126,805)
Loan payment	113,249	114,000	(751)
TOTAL EXPENDITURES	113,249	\$ 240,805	\$ (127,556)
RECEIPTS OVER (UNDER) EXPENDITURES	1,751		
UNENCUMBERED CASH, BEGINNING	119,986		
UNENCUMBERED CASH, ENDING	\$ 121,737		

CITY OF HESSTON, KANSAS

ENTERPRISE NONBUDGETED FUNDS
 SCHEDULE OF CASH RECEIPTS AND EXPENDITURES - REGULATORY BASIS
 For Year Ended December 31, 2011

Schedule 2
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	Utility Reserve	Golf Course Maintenance Reserve
	<u> </u>	<u> </u>
CASH RECEIPTS		
Operational transfers in	\$ 150,000	\$ 50,000
Miscellaneous	<u> -</u>	<u>11,100</u>
TOTAL CASH RECEIPTS	<u>150,000</u>	<u>61,100</u>
EXPENDITURES		
Equipment	39,365	500
Maintenance	<u>87,392</u>	<u>69,914</u>
TOTAL EXPENDITURES	<u>126,757</u>	<u>70,414</u>
RECEIPTS OVER (UNDER) EXPENDITURES	23,243	(9,314)
UNENCUMBERED CASH, BEGINNING	<u>1,111,792</u>	<u>115,734</u>
UNENCUMBERED CASH, ENDING	<u><u>\$ 1,135,035</u></u>	<u><u>\$ 106,420</u></u>

CITY OF HESSTON, KANSAS

SPECIAL REVENUE NONBUDGETED FUNDS
 SCHEDULE OF CASH RECEIPTS AND EXPENDITURES - REGULATORY BASIS
 For Year Ended December 31, 2011

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	Revolving Loan Fund	Public Building Commission	Library Maintenance Fund	Capital Improvement	Equipment Reserve
CASH RECEIPTS					
Miscellaneous	\$ 34,694	\$ -	\$ -	\$ -	\$ 32,600
Lease payments	-	65,000	6,498	-	-
Operating transfers in	-	-	-	100,000	100,000
	<u>34,694</u>	<u>65,000</u>	<u>6,498</u>	<u>100,000</u>	<u>132,600</u>
TOTAL CASH RECEIPTS	<u>34,694</u>	<u>65,000</u>	<u>6,498</u>	<u>100,000</u>	<u>132,600</u>
EXPENDITURES					
Capital outlay	-	-	3,699	26,012	191,451
Debt service	-	59,973	-	-	-
	<u>-</u>	<u>59,973</u>	<u>3,699</u>	<u>26,012</u>	<u>191,451</u>
TOTAL EXPENDITURES	<u>-</u>	<u>59,973</u>	<u>3,699</u>	<u>26,012</u>	<u>191,451</u>
RECEIPTS OVER (UNDER) EXPENDITURES	34,694	5,027	2,799	73,988	(58,851)
UNENCUMBERED CASH, BEGINNING	<u>61,168</u>	<u>60,000</u>	<u>40,513</u>	<u>118,626</u>	<u>517,098</u>
UNENCUMBERED CASH, ENDING	<u>\$ 95,862</u>	<u>\$ 65,027</u>	<u>\$ 43,312</u>	<u>\$ 192,614</u>	<u>\$ 458,247</u>

CITY OF HESSTON, KANSAS

CAPITAL PROJECTS NONBUDGETED FUNDS
 SCHEDULE OF CASH RECEIPTS AND EXPENDITURES - REGULATORY BASIS
 For Year Ended December 31, 2011

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	Windover II
CASH RECEIPTS	\$ -
EXPENDITURES	-
RECEIPTS OVER (UNDER) EXPENDITURES	-
UNENCUMBERED CASH, BEGINNING	(1,420)
UNENCUMBERED CASH, ENDING	\$ (1,420)

CITY OF HESSTON, KANSAS

HESSTON PUBLIC LIBRARY - COMPONENT UNIT
 SCHEDULE OF CASH RECEIPTS AND EXPENDITURES - REGULATORY BASIS
 For Year Ended December 31, 2011

Schedule 3

	<u>Actual</u>
CASH RECEIPTS	
City appropriations	\$ 173,277
Fines and donations	28,871
Grants	16,373
Miscellaneous	5,557
Interest	<u>381</u>
TOTAL CASH RECEIPTS	<u>224,459</u>
EXPENDITURES	
Buildings	28,620
Equipment	26,253
Operations	4,330
Payroll	127,598
Program	3,568
Utilities	10,315
Postage	5,906
Training	407
Miscellaneous	<u>97</u>
TOTAL EXPENDITURES	<u>207,094</u>
RECEIPTS OVER (UNDER) EXPENDITURES	17,365
UNENCUMBERED CASH, BEGINNING	<u>49,011</u>
UNENCUMBERED CASH, ENDING	<u><u>\$ 66,376</u></u>